



July 12, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
General Public

TOM WILSON
Supervisor
Fifth District

JOHN WITHERS
Director
Irvine Ranch Water District

ALTERNATE
PATSY MARSHALL
Councilmember
City of Buena Park

ALTERNATE
RHONDA MCCUNE
Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Proposed Municipal Services Review for the City of Costa Mesa (MSR 06-26)

The attached report includes the Municipal Service Review (MSR) and for the City of Costa Mesa. LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.

LAFCOs are also required to complete Sphere of Influence (SOI) reviews in conjunction with Municipal Service Reviews for each city and special district at least once every five years. SOIs identify a city's (or district's) ultimate service boundary within a 15-year time horizon. An SOI is used as a long range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts. A comprehensive update to the City of Costa Mesa's sphere of influence is scheduled for 2007.

No Significant Issues Identified

No significant issues were identified for the City of Costa Mesa. Staff is recommending that the Commission receive and file the MSR report (Attachment 1) and adopt the nine MSR determinations contained therein.

July 12, 2006

RE: City of Costa Mesa MSR

Page 2

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

LAFCO is the lead agency under CEQA (California Environmental Quality Act) for the City of Costa Mesa Municipal Service Review. Staff completed an initial study, and it was determined that a project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted or funded does not require the preparation of an EIR. Accordingly, a Draft Negative Declaration (*Attachment 2*) was prepared and noticed in accordance with existing guidelines for implementing CEQA. No comments on the Draft Negative Declaration have been received.

Additionally, staff recommends that the Commission certify that, based upon the Negative Declaration, the Municipal Service Review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code, and direct staff to file a *de minimus* statement with California Wildlife, Fish and Game (*Attachment 3*).

RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the Municipal Service Review Report for the City of Costa Mesa (*Attachment 1*).
2. Adopt the Draft Negative Declaration (*Attachment 2*) prepared for the proposed City of Costa Mesa Municipal Service Review.
3. Certify the *De Minimus* Impact Finding Statement for the California Wildlife, Fish and Game Department (*Attachment 3*).
4. Adopt the resolution for the City of Costa Mesa Municipal Service Review adopting the nine MSR determinations (*Attachment 4*).

Respectfully submitted,

JOYCE CROSTHWAITE

BOB ALDRICH

July 12, 2006

RE: City of Costa Mesa MSR

Page 3

Attachments:

1. MSR Report
2. Draft Negative Declaration
3. De Minimus Impact Findings
4. LAFCO Resolution



Attachment 1 –

City of Costa Mesa

Municipal Service Review Report



MSR/SOI Report

City of Costa Mesa

July 12, 2006





Table of Contents

TABLE OF CONTENTS	I
EXECUTIVE SUMMARY	2
INTRODUCTION.....	4
SPHERE OF INFLUENCE UPDATES	5
HISTORY OF COSTA MESA	5
THE NINE DETERMINATIONS.....	8
GROWTH AND POPULATION PROJECTIONS	8
FINANCING CONSTRAINTS & OPPORTUNITIES.....	14
COST AVOIDANCE OPPORTUNITIES/OPPORTUNITIES FOR SHARED FACILITIES ...	16
OPPORTUNITIES FOR RATE RESTRUCTURING	16
GOVERNMENT STRUCTURE OPTIONS	16
LOCAL ACCOUNTABILITY & GOVERNANCE	17
SERVICE REVIEW DETERMINATIONS.....	20



EXECUTIVE SUMMARY

The purpose of this report is to provide a comprehensive review of the municipal services provided by the City of Costa Mesa. Municipal Service Reviews (MSRs) are required by the Cortese-Knox-Hertzberg Act of 2000 to be completed before (or concurrently with) an agency's sphere of influence update. The report is organized into five sections:

1. *Executive Summary* – Provides an overview of the report's structure and content.
2. *Introduction* – Explains the statutory requirements related to municipal service and sphere of influence reviews.
3. *History of Costa Mesa* – Provides a brief historical overview of the Costa Mesa MSR area.
4. *The Nine Determinations* – Examines the City of Costa Mesa's structure and service provision as they relate to the nine municipal service review (MSR) determinations required by law.
5. *Service Review Determinations* - Summarizes LAFCO staff's nine MSR determinations based on the analysis of the City of Costa Mesa's structure and service provision.

MUNICIPAL REVIEW SUMMARY

No significant issues were noted. The City is projected to have modest growth over the next 15 years (approximately 5,600 new residents), and no significant infrastructure needs or deficiencies were noted. While the City's operating and capital budget for FY 2006-2007 projects expenditures exceeding revenues by approximately \$7.7 million, this is largely due to the City's aggressive capital improvements program currently underway. The City has sufficient operating reserves and appropriations fund balances to cover the projected budget shortfall. No rate restructuring opportunities were noted. The City uses private contracts wherever possible to reduce costs and increase management efficiencies. The City uses a variety of means to increase local accountability and governance.

With respect to government structure options, there remain four unincorporated areas located within the City's sphere of influence: (1) West Santa Ana Heights; (2) the Santa



Ana Country Club; (3) the South Mesa area; and, (4) approximately ten acres of territory located north of 22nd Street and east of Santa Ana Avenue. Two government structure options exist for the City:

1. Annexation of West Santa Ana Heights, the Santa Ana Country Club, South Mesa and the ten-acre territory north of 22nd Street and east of Santa Ana Avenue, and
2. Annexation of territory not currently included in the City's current sphere of influence. This may include the 465-acre Banning Ranch property.



INTRODUCTION

Pursuant to a 2000 legislative requirement, LAFCO must conduct a comprehensive review of municipal service delivery and update, as necessary, the spheres of influence of agencies under LAFCO's jurisdiction not less than every five years. The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating the spheres of influence and to prepare a written statement of determination with respect to each of the following:

- 1) Infrastructure needs or deficiencies;
- 2) Growth and population projections for the affected area;
- 3) Financing constraints and opportunities;
- 4) Cost avoidance opportunities;
- 5) Opportunities for rate restructuring;
- 6) Opportunities for shared facilities;
- 7) Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
- 8) Evaluation of management efficiencies; and
- 9) Local accountability and governance.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make "determinations" regarding the provision of public services per Government Code Section 56430. The ultimate outcome of conducting a service review, however, may result in LAFCO taking discretionary action on a change of organization or a reorganization.





SPHERE OF INFLUENCE UPDATES

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates the agency's probable future boundary and service area. Spheres are planning tools used to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine the sphere of influence of each local governmental agency within the county, and to review and update the SOI every five years. In determining the SOI, LAFCO must address the following:

- 1) Present and planned land uses in the area, including agricultural and open-space lands;
- 2) Present and probable need for public facilities and services in the area;
- 3) Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
- 4) Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

A comprehensive sphere of influence update will be completed for the City of Costa Mesa in 2007.

HISTORY OF COSTA MESA¹

Located on the "coastal tableland" above Newport Bay, Costa Mesa was once grazing grounds for cattle belonging to the Mission San Juan Capistrano. At the beginning of the 19th century, missionaries built an adobe "way station" for vaqueros who tended the herd. In 1810, the same area was a part of the Spanish land grant of Santiago Del Santa Ana made to Jose Antonio Yorba. By 1880, settlers had begun buying portions of the rancho from Yorba's heirs and established the town of Fairview. A school house and church were built near the present intersection of Harbor and Adams, and a 25-room hotel accommodated visitors to the nearby hot sulfur springs. By early 1889, a storm washed out the railroad and brought financial hardship to the community. The area reverted back to farming.

About that same time, the small town of Harper (named after a nearby rancher) emerged. Its first business, Ozmen's General Store, stood on the corner of Newport and

¹ City of Costa Mesa General Plan (2000)

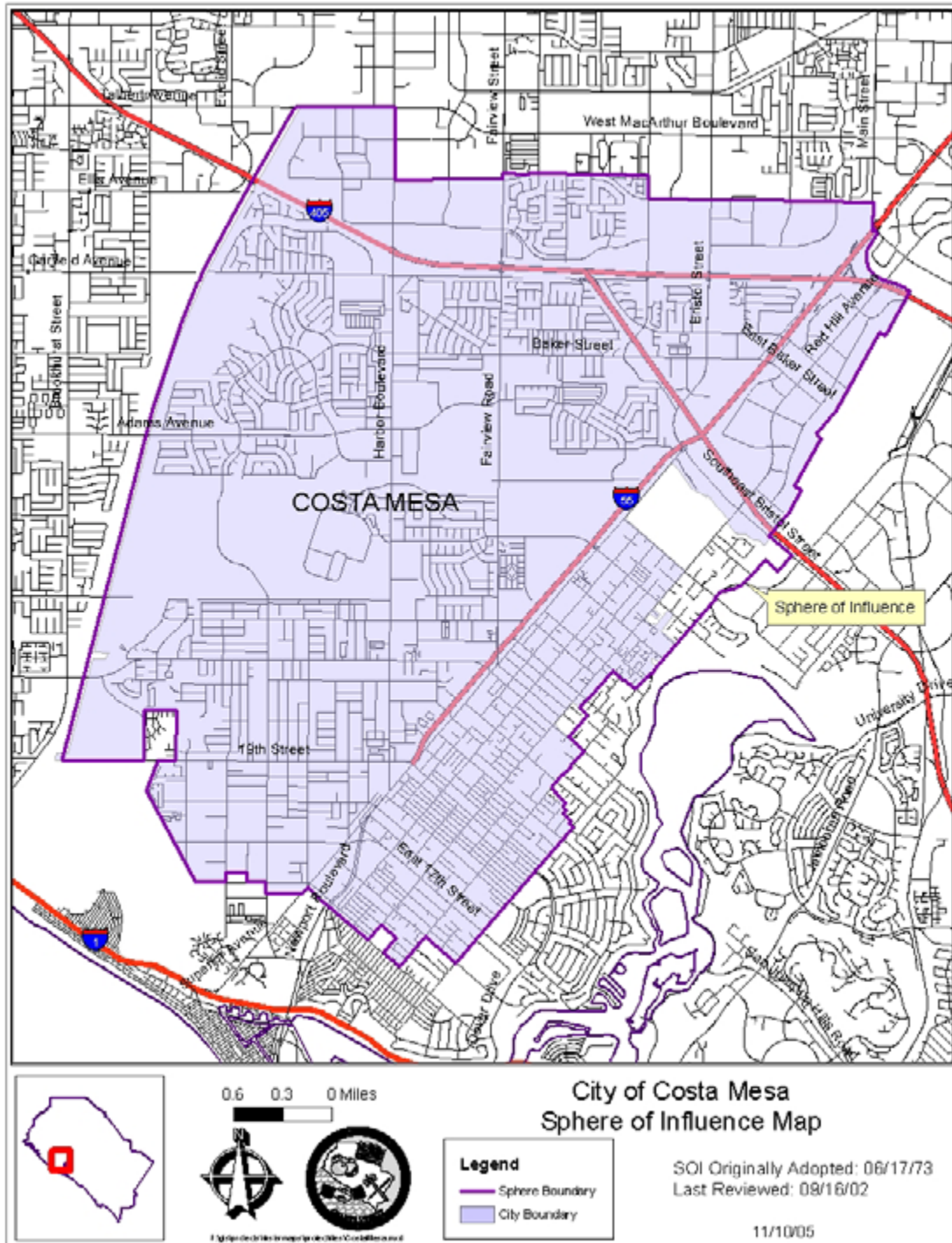


18th Street and contained the area's first post office, established in 1909. On May 11, 1920, Harper officially changed its name to Costa Mesa, which means "coastal tableland" in Spanish, and continued as an agricultural community growing sweet potatoes, corn, tomatoes, strawberries and apples. Building and oil drilling industries were just beginning to bring new growth to the City when the depression hit Southern California. More disaster followed with the 1933 earthquake shook the town, damaging businesses and the main school.

World War II brought thousands of people to the area for training at the Santa Ana Army Air Base, located on what is now the Orange County Fairgrounds, Orange Coast College and the present site of the Costa Mesa Civic Center. When the war ended, many returned with their families to begin the population boom which continues today. On June 29, 1953, the City was incorporated under the City Council-Manager form of government. The new City had an area of 3.5 square miles and a population of 16,640. Today, Costa Mesa is one of Orange County's leading cultural and business centers, encompassing a total of 16.8 square miles. According to the State Department of Finance, the current population is approximately 113,134.



Exhibit 1 – City of Costa Mesa Sphere Influence





THE NINE DETERMINATIONS

GROWTH AND POPULATION PROJECTIONS

Countywide Growth Trends

As of January 1, 2005, the official population estimate for Orange County from the California State Department of Finance for Orange County was 3,056,865. This population estimate ranks Orange County as the second most populous county in California and the fifth most populous in the nation. Population growth is expected to reach 3,340,282 people by the year 2020. The most significant factor contributing to Orange County's population growth is natural increase (births minus deaths). In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco. *Table 1- County Population and Density Comparisons*, below, shows Orange County's size in comparison to other nearby counties.

Table 1 - County Population and Density Comparisons

County	Population	Unin- corporated Percentage 2000	Unin- corporated Percentage 2004	Land Area (acres)	<u>Simple</u> Density (persons/ acre)
Alameda	1,466,900	9.3%	9.3%	472,060	3.11
Contra Costa	963,000	19.2%	15.7%	460,740	2.09
Los Angeles	9,716,000	10.5%	10.5%	2,598,980	3.74
Orange	2,978,816	7.7%	3.7%	505,220	5.73
Riverside	1,577,700	26.4%	26.8%	4,612,740	0.34
Sacramento	1,242,000	53.1%	45.7%	618,050	2.01
San Bernardino	1,742,300	17.3%	15.9%	12,833,600	0.14
Santa Clara	1,709,500	6.1%	5.7%	826,050	2.07
San Diego	2,856,300	16.1%	15.6%	2,687,940	1.06

Growth within the City of Costa Mesa

Starting as a small cattle grazing and agricultural community, Costa Mesa has grown into city of approximately 113,134 residents. Now known as the "City of the Arts," Costa Mesa encompasses a total of 16.8 square miles with its southern-most border less than two miles from the Pacific Ocean. The dominant industries for the City are trade, manufacturing, services, finance/insurance and real estate.



The Orange County Performing Arts Center, South Coast Repertory, Orange County Fairgrounds, Triangle Square, Metro Pointe and South Coast Plaza are prominent centers of cultural and economic activity within the City. The volume of sales generated by the South Coast Plaza, the City's regional mall, ranks it among the highest



volume shopping centers in the nation. The City of Costa Mesa offers 27 neighborhood and community parks, golf courses, 15 elementary schools, two intermediate schools, two high schools, and two County branch libraries. The City is also home to Orange Coast College, Vanguard University, Whittier Law School and National University.

The City has a total population of 113,134 and is project to reach 118,764 by 2020. The City has a

diverse land use mix: 48 percent of which is designated for residential use, 14 percent for commercial use, 13 percent for industrial uses, and 25 percent allocated for public and semi-public uses. In 1998, employment in the city totaled 77,415, with projected employment in 2020 expected to increase to 106,708.

Table 2 - City of Costa Mesa Land Use Distribution

Land Use Distribution	Total Acres	% of City
Low-Density Residential	2,170	27%
Medium-Density Residential	820	10%
High-Density Residential	878	11%
Commercial-Residential	44	0.5%
Neighborhood Commercial	45	0.6%
General Commercial	631	8%
Commercial Center	93	1%
Regional Commercial	115	1%
Urban Center Commercial	161	2%
Cultural Arts Center	54	0.7%
Industrial Park	714	9%
Light Industry	382	5%
Public/Institutional	1,287	16%
Golf Course	560	7%
Fairgrounds	146	2%



Table 3 – City of Costa Mesa Housing and Employment Projections

Year	Dwelling Units	Employees
2005	40,643	95,099
2010	40,873	102,461
2015	41,730	103,726
2020	42,469	106,708

Source: Center of Demographic Research, CSUF

The City's General Plan, adopted in 2002, incorporates an integrated framework of growth management, land use, circulation, infrastructure and community design goals and policies which, when used together, manages growth and development and assists in maintaining and enhancing the City's existing quality of life. A major goal of the General Plan's Growth Management Element is to "...ensure that planning, management and implementation of traffic improvements and public facilities are adequate to meet the current and projected needs of the City."

The City has adopted a seven-year Capital Improvements Program (FY 2005-06 through FY 2011-12) which allocates almost \$214 million over the seven year period for street maintenance and improvements, traffic signalization, parks, parkways and median upgrades, community programs and facilities maintenance. In FY 2005-2006 alone, the City has allocated approximately \$12 million for capital improvements, including \$3.4 million to upgrade the TeWinkle Park Athletic Field Complex. The City has adequately planned for future growth and associated infrastructure through its General Plan update process and Capital Improvement Program (CIP).

No significant issues were noted.

INFRASTRUCTURE NEEDS & DEFICIENCIES

This determination addresses the adequacy of existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services. The City of Costa Mesa was incorporated on June 29, 1953 and a City Council-Manager form of government was chosen. The City or other agencies which provide services to Costa Mesa residents are described in *Table 4*, below.



Table 4 – City of Costa Mesa Service Providers

Service	Current Provider
Animal Control	City of Costa Mesa
City Attorney	Contract (Jones and Mayer)
Planning and Community Development	City of Costa Mesa
Fire & Paramedic	City of Costa Mesa
Library	County of Orange
Parks & Recreation	City of Costa Mesa
Police	City of Costa Mesa
Solid Waste	Costa Mesa Sanitary District
Water	Irvine Ranch Water District Mesa Consolidated Water District
Sewer	Costa Mesa Sanitary District Orange County Sanitation District

The City's existing General Plan establishes levels of service for municipal services and mandates ongoing review of key public services. This helps to ensure orderly City growth and development and that services and facilities will be provided concurrent with need. To ensure ongoing implementation of adequate public service programs, the City adopts an annual budget, an annual capital improvement program (CIP) and work program to ensure that service levels are maintained or improved and that the CIP is adequately funded. For FY 2005-2006, the CIP budget allocates over \$12 million to enhance existing infrastructure and provide new infrastructure to aid in service delivery to the City of Costa Mesa. Key projects funded for FY 2005-2006 include street and traffic signal improvements, parks maintenance and upgrades, water quality projects and facilities maintenance.

Police Services

The City of Costa Mesa Police Department provides public safety services to City residents, businesses and visitors. The mission involves: crime prevention, field patrol (ground and air), crime investigation, apprehension of offenders, traffic enforcement and control, regulation of non-criminal activity, animal control and the performance of a number of related and support services. The Police Department is comprised of approximately 228 full-time personnel, of which 154 are sworn police officers and 74 are civilian support personnel. In addition there are part-time personnel and senior volunteers that augment department personnel.



An October 2005 survey of 22 police agencies within Orange County, conducted by the *Orange County Register*, indicated that the City has an officer to population ratio of one officer for every 783 residents. The *Register* survey measured effectiveness of police agencies in eight categories: response time, citizens per officer, homicide clearance, violent crime clearance, property crime clearance, burglary clearance, violent crime rate and property crime rate. When compared to other police agencies countywide, the Costa Mesa Police Department was one of only seven police agencies that received the highest "4-star" rating. According to the study, average response time for life-threatening emergencies within Costa Mesa averaged 3.23 minutes – one of the fastest response times of any police agency countywide.



Fire Services

The City of Costa Mesa Fire Department is responsible for fire prevention, enforcement of fire protection laws and ordinances, fire suppression, emergency medical services, hazardous materials response and weed abatement. There are six existing fire stations strategically located throughout the City. Costa Mesa has achieved and maintains a "protection class two", which affords residents and business owners excellent base fire insurance rates. This is accomplished by continual monitoring of existing conditions, review of all building projects and planning for additional fire protection facilities, equipment, personnel and training to meet future needs.

Open Space, Parks and Recreation

Open space in Costa Mesa includes neighborhood and community parks, community centers, open space easements and golf courses. There are also County-owned regional facilities within and adjacent to the City limits and a large amount of institutional land. The total inventory of open space and recreation land comprises approximately 20 percent of the total land area of the City.

The City's General Plan Open Space and Recreation Element states that the City's long-term goal is to provide a minimum of 5.76 acres of permanent public open space (consisting of 4.26 acres of neighborhood and community parks and 1.5 acres in school



yards) for every 1,000 residents. The City has not met all of its current population's open space and parks needs, therefore, additional parks and facilities must be provided to serve existing constituents. Since not all of the needs can be met at once, the City has adopted a Parks, Recreation and Open Space Master Plan to guide future improvements to address current system deficiencies and to meet the long-term community needs.

Water and Sewer

Water service to the City of Costa Mesa is provided by two water supply agencies: Mesa Consolidated Water District and Irvine Ranch Water District (IRWD). A majority



of the City (85%) is within the boundaries of Mesa Consolidated which also serves unincorporated areas of the County and portions of Newport Beach. Properties to the southeast of Newport Boulevard, between 23rd and Bristol Streets, are served by IRWD. Approximately 75 percent of Mesa's water supply is pumped from natural underground water aquifers located in the Orange County Groundwater Basin. The remaining 25 percent of Mesa's water supply is imported from the Metropolitan Water

District via two wholesale water agencies: MWDOC and Coastal. Approximately 50 percent of IRWD's water is purchased from MWD; the remaining 50 percent of the supply comes from local groundwater wells.

Each water agency maintains master plans for services, facilities, maintenance, and improvements necessary to support existing and projected population growth and development. Conservation practices and requirements to meet regional, state and federal water quality regulations are included within the respective plans. Each agency maintains a capital improvements program for the provision of water system improvements, special projects and ongoing maintenance. Water demands are monitored and periodically the plans are updated to account for any service issues and regulatory changes.

The Costa Mesa Sanitary District (CMSD) is the local sewer agency for the majority of Costa Mesa. The remaining portions of the City are served directly by the Orange



County Sanitation District (OCSD). Both CMSD and CSDOC maintain master plans based on anticipated land use intensities in order to estimate and plan for future needs.

No significant issues regarding infrastructure needs and deficiencies were noted.

FINANCING CONSTRAINTS & OPPORTUNITIES

The City of Costa Mesa FY 05-06 adopted budget reflects the operating and capital spending plans for the General Fund, Special Revenue Funds, Capital Project Funds, and Internal Service Funds. The total budget for all funds is \$118.4 million, an increase of \$8.2 million or 7.47% compared to the adopted budget for FY 04-05. Table 5, below, illustrates these changes.

Table 5 - City of Costa Mesa Adopted Operating and Capital Spending Plans

Appropriations/ All Funds	Adopted FY 05-06	Adopted FY 04-05	Increase/Decrease Amount	Increase/ Decrease %	% of Total
Operating Budget	\$104,535,301	\$96,488,870	\$8,046,431	8.34%	88.31%
Transfers Out	1,874,000	2,938,680	(1,064,680)	-36.23%	1.58%
Capital Budget	11,970,254	10,720,058	1,250,196	11.66%	10.11%
TOTAL	\$118,379,555	\$110,147,608	\$8,231,947	7.47%	100.00%

Table 6, below, summarizes the City of Costa Mesa revenue fund sources for Fiscal Years 04-05 and 05-06. The table includes all governmental funds, including the General Fund (taxes, licenses and permits, fines, fees and charges, interest, etc.), special revenue funds and capital project funds. Sales and use taxes represents Costa Mesa's single largest revenue source which is estimated at \$43.8 million or almost 50 percent of the total General Fund revenues projected for FY 05-06. Property tax is the second largest source of revenue for the City. The FY 05-06 estimated revenue from all property tax collections is \$21 million or 23.62 percent of the total General Fund revenues.



Table 6 – City of Costa Mesa Revenue Funds

Governmental Fund Types	Adopted FY 05-06	Adopted FY 04-05	Increase/Decrease Amount	Increase/Decrease %	% of Total
General Fund	\$95,055,890	\$87,929,980	\$7,125,910	8.10%	85.39%
Special Revenue Funds	7,575,064	10,308,881	(2,733,817)	-26.52%	6.80%
Capital Project Funds	8,692,615	6,251,093	2,441,522	39.06%	7.81%
TOTAL	\$111,323,569	\$104,489,954	\$6,833,615	6.54%	100.00%

For many years, the City has embarked on an aggressive capital improvement program to improve and maintain its infrastructure including streets, curbs and sidewalks, storm



drains, traffic operations, parks, parkways, and medians, municipal buildings and facilities. Over the last nine years, the City has dedicated approximately \$121 million (or an average of \$13.5 million a year) for capital improvements. For FY 05-06, the City has allocated almost \$12 million for capital improvements.

For FY 05-06, projected City expenditures will exceed overall City revenues by approximately \$7,714,485. This is largely due to

the aggressive citywide capital improvements program underway. The City has sufficient general operating reserves and appropriations fund balances to cover the projected budget shortfall.

No significant issues were noted.



COST AVOIDANCE OPPORTUNITIES/OPPORTUNITIES FOR SHARED FACILITIES

The City of Costa Mesa contracts, when feasible, for various services including City attorney services, tree trimming, custodial services and specialized/personal enrichment recreation program services. The City's core services, police, fire, engineering, transportation, planning, building plan check and inspection, code enforcement, and parks and recreation services, continue to be provided by City staff.

No significant issues were noted.

OPPORTUNITIES FOR RATE RESTRUCTURING

The Costa Mesa City Council reviews its budget annually and establishes fees and charges for services to ensure that revenues are adequate to meet expected expenses. Fees charged by some service providers are beyond the purview of the City of Costa Mesa; however, the City works closely with service providers to ensure the most efficient and cost effective services.

No significant issues were noted.

GOVERNMENT STRUCTURE OPTIONS

In 2000, Orange County LAFCO, in cooperation with the County, and the League of Cities – Orange County Division, initiated a small islands program to facilitate the annexation of small unincorporated islands to adjacent Orange County cities. The City of Costa Mesa was an active participant in this program, initiating annexation of all unincorporated territory within their City's sphere of influence. In 2002, LAFCO approved the annexation of five small islands to Costa Mesa and a reorganization of territory with the City of Newport Beach of a larger 80-acre island ("Bay Knolls"). Annexation attempts by the City of Costa Mesa for both the Santa Ana Country Club and the South Mesa areas in 2002, while approved by LAFCO, were subsequently terminated by registered voter protest.

Four unincorporated areas, described below, remain within the City's sphere of influence:

- *West Santa Ana Heights* – 83 acres bounded on the west by the Santa Ana Country Club and to the south by the unincorporated South Mesa residential/commercial area. The West Santa Ana Heights area includes a mix of land uses including



residential, convalescent care, nurseries and dog kennels. East Santa Ana Heights was annexed to the City of Newport Beach in 2002.

- *Santa Ana Country Club* – the 125-acre private golf course facility is south of Bristol Street and bounded by Mesa Drive, Newport Boulevard, Santa Ana Avenue/Red Hill.
- *South Mesa* – The unincorporated South Mesa area, approximately 88 acres in size, is predominantly residential but includes a commercial center at the corner of Mesa Drive and Irvine Avenue.
- *22nd Street/Santa Ana Avenue* – Originally approved by LAFCO for annexation to the City of Costa Mesa in 2002, the annexation was subsequently terminated by registered voter protest.

Two government structure options currently exist for the City of Costa Mesa:

1. Annexation of West Santa Ana Heights, the Santa Ana Country Club, the South Mesa area and the 22nd Street/Santa Ana Avenue island, and
2. Annexation of territory not included in the City's current sphere of influence. This may include the 456-acre Banning Ranch property.

Other governmental structure options may also exist with the reorganization of special districts that currently serve the City. LAFCO will be examining those options during the next MSR/SOI five year cycle.

LOCAL ACCOUNTABILITY & GOVERNANCE

No significant issues regarding local accountability and governance were noted. The City of Costa Mesa has five (5) council members, elected at-large, for four year, staggered terms. The city council selects the Mayor and Mayor Pro Tem annually to serve one-year terms. The council members also serve on special committees that review specific issues and make recommendations to the full city council.

The city council meets on the first and third Tuesday of each month. All council meetings are televised live through the city's local cable television outlet. Reruns of the council meetings are available on line through the City's website: www.ci.costa-mesa.ca.us. The City maintains a website to increase local accountability. Table 7, below, lists the current city council members and their terms of office.



ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
Municipal Service & Sphere of Influence Review Report for the
City of Costa Mesa (MSR 06-26)
July 12, 2006



ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
Municipal Service & Sphere of Influence Review Report for the
City of Costa Mesa (MSR 06-26)
July 12, 2006

Table 7 - Costa Mesa City Council Members

City of Costa Mesa Council Members	Title	Term Expires	Monthly Stipend*
Allan Mansoor	Mayor	2006	\$952.00
Eric Bever	Mayor Pro Tem	2008	\$952.00
Gary Monihan	Council Member	2006	\$952.00
Linda Dixon	Council Member	2008	\$952.00
Katrina Foley	Council Member	2008	\$952.00

*Council members are also eligible to receive certain insurance, medical and retirement benefits as well as professional training opportunities.



SERVICE REVIEW DETERMINATIONS

1) Growth & Population Projections

The City is projected to experience an increase of approximately 5,600 residents by the year 2020.

2) Infrastructure Needs & Deficiencies

The future growth projected for the City, while modest, will increase the demand for additional municipal level services. The City of Costa Mesa reviews infrastructure needs annually through its budget and capital improvement program to ensure that those city services will match projected growth. The City prides itself on providing a high level of municipal services for its residents.

3) Financing Opportunities & Constraints

For FY 05-06, projected City expenditures will exceed overall City revenues by approximately \$7,714,485. This is largely due to the aggressive citywide capital improvements program underway. The City has sufficient general operating reserves and appropriations fund balances to cover the projected budget shortfall.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

Two government structure options currently exist for the City of Costa Mesa:

- Annexation of West Santa Ana Heights, the Santa Ana Country Club, the South Mesa area and the 22nd Street/Santa Ana Avenue island, and
- Annexation of territory not included in the City's current sphere of influence. This may include the 456-acre Banning Ranch property.

Other governmental structure options may also exist with the reorganization of special districts that currently serve the City. LAFCO will be examining those options during the next MSR/SOI five year cycle.



6) *Local Accountability & Governance*

The City of Costa Mesa provides a strong resident outreach effort to its residents through its website, televised City Council meetings and community outreach efforts for City residents.

7) *Opportunities for Cost Avoidance*

No significant issues were noted.

8) *Opportunities for Management Efficiencies*

No significant issues were noted.

9) *Opportunities for Shared Facilities*

No significant issues were noted.



Attachment 2 – Draft Negative Declaration

ATTACHMENT 2

ENVIRONMENTAL CHECKLIST FORM

- 1) Project Title: City of Costa Mesa Municipal Services Review
(MSR 06-26)
- 2) Lead Agency Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
- 3) Contact Person and Phone Number: Bob Aldrich, Assistant Executive Officer, (714) 834-2556
- 4) Project Location: The City of Costa Mesa comprises approximately 16.8 square miles and is located east of the City of Huntington Beach, south of the City of Santa Ana, and north and west of the City of Newport Beach.
- 5) Project Sponsor's Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
- 6) General Plan Designation: Residential, Industrial, Commercial and Open Space
- 7) Zoning: Residential, Industrial, Commercial and Open Space
- 8) Description of Project: Pursuant to Government Code Section 56430, LAFCO is required by law to conduct Municipal Service Reviews (MSRs) for all cities and special districts located within Orange County. MSRs are a new mandate from the state legislature which requires LAFCO to prepare special studies on future growth and evaluate how local agencies are planning for growth through their municipal service and infrastructure systems.

Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the preparation of the Municipal Service Review study for the City of Newport Beach. The negative declaration confirms the findings of the associated initial study that the proposed project (MSR 06-26) will not have a significant effect on the environment.

LAFCO staff is recommending that the Commission: (1) receive and file the City of Costa Mesa MSR report, and (2) adopt nine written statements of its determination regarding the following factors: infrastructure needs or deficiencies; growth and population projections; financing constraints and opportunities; cost avoidance opportunities; opportunities for rate restructuring; opportunities for shared facilities; government structure options; management efficiencies; and, local accountability and governance.

9. Surrounding Land Uses and Setting: The City and surrounding areas are largely urbanized. About 50 percent of the City of Costa Mesa is developed with residential uses, 12 percent is commercial, and 14 percent is industrial.
10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement):
None

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

- | | | |
|---------------------------------|--------------------------------------|----------------------------|
| ~ Aesthetics | ~ Agriculture Resources | ~ Air Quality |
| ~ Biological Resources | ~ Cultural Resources | ~ Geology / Soils |
| ~ Hazards & Hazardous Materials | ~ Hydrology / Water Quality | ~ Land Use / Planning |
| ~ Mineral Resources | ~ Noise | ~ Population / Housing |
| ~ Public Services | ~ Recreation | ~ Transportation / Traffic |
| ~ Utilities / Service Systems | ~ Mandatory Findings of Significance | |

DETERMINATION (To be completed by the Lead Agency):

On the basis of this initial evaluation:

- ✓ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ~ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ~ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ~ I find that the proposed project MAY have a "potentially significant or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ~ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Signature

Joyce Crosthwaite, Executive Officer

Printed Name

July 12, 2006

Date

Orange County LAFCO

For

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

I. AESTHETICS. Would the project:

- | | |
|--|---|
| a) Have a substantial adverse effect on a scenic vista? | X |
| b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway? | X |
| c) Substantially degrade the existing visual character or quality of the site and its surroundings? | X |
| d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the aesthetics of the project area. This includes not adversely affecting scenic vistas, damaging scenic resources, degrading visual character, or creating new sources of light.

II. AGRICULTURE RESOURCES. In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:

- | | |
|--|---|
| a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use? | X |
| b) Conflict with existing zoning for agricultural use, or a Williamson Act contract? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?

X

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

III. AIR QUALITY. Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:

X

- a) Conflict with or obstruct implementation of the applicable air quality plan?
- b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?
- c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is nonattainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?
- d) Expose sensitive receptors to substantial pollutant concentrations?
- e) Create objectionable odors affecting a substantial number of people?

X

X

X

X

X

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

IV. BIOLOGICAL RESOURCES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|--|---|
| a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | X |
| b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | X |
| c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means? | X |
| d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites? | X |
| e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance? | X |
| f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any specific new developments to be built. The project will not result in any significant direct or cumulative impacts on the biological resources of the project area and this includes adversely affecting endangered, threatened, or rare species and their habitat.

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

V. CULTURAL RESOURCES. Would the project:

- | | |
|--|---|
| a) Cause a substantial adverse change in the significance of a historical resource as defined in § 15064.5? | X |
| b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5? | X |
| c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature? | X |
| d) Disturb any human remains, including those interred outside of formal cemeteries? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the cultural resources of the project area.

VI. GEOLOGY AND SOILS -- Would the project:

- | | |
|--|---|
| a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury or death involving: | X |
| i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42. | X |
| ii) Strong seismic ground shaking? | X |
| iii) Seismic-related ground failure, including liquefaction? | X |
| iv) Landslides? | X |
| b) Result in substantial soil erosion or the loss of topsoil? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|--|---|
| c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse? | X |
| d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property? | X |
| e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the geology or soils of the project area including contributing to soil erosion or exposing individuals or structures to loss, such as injury or death, resulting from earthquakes or landslides.

VII. HAZARDS AND HAZARDOUS MATERIALS.

Would the project:

- | | |
|--|---|
| a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials? | X |
| b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment? | X |
| c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school? | X |
| d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code section 65962.5 and, as a result, would it create a significant hazard to the public or the environment? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|--|---|
| e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area? | X |
| f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area? | X |
| g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan? | X |
| h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts with respect to creating hazards or hazardous materials within the project area.

VIII. HYDROLOGY AND WATER QUALITY. Would the project:

- | | |
|---|---|
| a) Violate any water quality standards or waste discharge requirements? | X |
| b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)? | X |
| c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|---|--|--|---|
| d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site? | | | X |
| e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff? | | | X |
| f) Otherwise substantially degrade water quality? | | | X |
| g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map? | | | X |
| h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows? | | | X |
| i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam? | | | X |
| j) Inundation by seiche, tsunami, or mudflow? | | | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in a depletion of groundwater supplies, alteration of existing drainage patterns, creation of runoff water, exposure of people to a significant risk of flooding nor will it result in a net deficit in aquifer volume.

IX. LAND USE AND PLANNING. Would the project:

- | | | | |
|---|--|--|---|
| a) Physically divide an established community? | | | X |
| b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect? | | | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|---|---|
| c) Conflict with any applicable habitat conservation plan or natural community conservation plan? | X |
|---|---|

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any specific new developments to be built. Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to land use planning within the project area.

X.MINERAL RESOURCES. Would the project:

- | | |
|---|---|
| a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state? | X |
| b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on the mineral resources of the project area. This includes not incurring the loss of known valuable resources.

XI. NOISE. Would the project result in:

- | | |
|---|---|
| a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies? | X |
| b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels? | X |
| c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project? | X |
| d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|---|---|
| e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels? | X |
| f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts on noise levels within the project area. This includes not exposing individuals to excess ground borne vibrations or substantially increasing ambient noises, whether temporary, periodical, or permanent.

XII. POPULATION AND HOUSING. Would the project:

- | | |
|--|---|
| a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of road or other infrastructure)? | X |
| b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere? | X |
| b) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any substantial population growth or displacement of housing or people.

XIII. PUBLIC SERVICES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|---|---|
| a) Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services: | X |
| Fire protection? | X |
| Police protection? | X |
| Schools? | X |
| Parks? | X |
| Other public facilities? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any impacts on government facilities providing fire, police, schools, parks or other public services.

XIV. RECREATION. Would the project:

- | | |
|--|---|
| a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated? | X |
| b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which have an adverse physical effect on the environment? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not have any impact on government facilities providing fire, police, schools, parks or other public services.

XV. TRANSPORTATION / TRAFFIC. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|--|--|--|---|
| a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)? | | | X |
| b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways? | | | X |
| c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks? | | | X |
| d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)? | | | X |
| e) Result in inadequate emergency access? | | | X |
| f) Result in inadequate parking capacity? | | | X |
| g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)? | | | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct impact or cumulative impacts relating to transportation or circulation within the project area. This includes not causing an increase in street or air traffic patterns, creating inadequate emergency access or parking capacity, or conflicting with adopted transportation policies.

XVI. UTILITIES AND SERVICE SYSTEMS. Would the project:

- | | | | |
|---|--|--|---|
| a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board? | | | X |
|---|--|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|---|---|
| b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | X |
| c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | X |
| d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed? | X |
| e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments? | X |
| f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs? | X |
| g) Comply with federal, state, and local statutes and regulations related to solid waste? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in the construction of new, or expansion of existing, water, wastewater and storm water drainage facilities.

XVII. MANDATORY FINDINGS OF SIGNIFICANCE

- | | |
|--|---|
| a) Does the project have the potential to substantially degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of an endangered, rare or threatened species; or eliminate important examples of the major periods of California history or prehistory? | X |
|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | |
|---|---|
| b) Does the project have the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals? | X |
| c) Does the project have impacts that are individually limited, but cumulatively considerable? (“Cumulatively considerable” means that the incremental effects of a project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.) | X |
| d) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly? | X |

DISCUSSION: The Municipal Service Review is a feasibility and planning study that will not result in any significant direct or cumulative impacts relating to mandatory finding of significance within the project area. This includes not degrading the quality of the environment or causing substantial adverse effects on individuals, whether directly or indirectly.



Attachment 3 – De Minimus Impact Findings

ATTACHMENT 3

CERTIFICATE OF FEE EXEMPTION

De Minimis Impact Finding

Project Title/Location (include county): City of Costa Mesa Municipal Service Review (MSR 06-26)

Name and Address of Project Applicant:

Orange County Local Agency Formation Commission (LAFCO)
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

Project Description: Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the City of Costa Mesa Municipal Service Review. In accordance with Government Code Sections 56425 and 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. The negative declaration confirms the findings of the associated initial study that the proposed project (the Municipal Services Review for the City of Costa Mesa) will not have a significant effect on the environment.

Findings of Exemption:

1. An Initial Study and Negative Declaration have been prepared by LAFCO to evaluate the project's effects on wildlife resources, if any.
2. The Lead Agency hereby finds that there is no evidence before LAFCO that the project will have any potential for adverse effect on the environment.
3. The project will not result in any changes to the following resources:
 - (A) Riparian land, rivers, streams, watercourses and wetlands;
 - (B) Native and non-native plant life and the soil required to sustain habitat for fish and wildlife;
 - (C) Rare and unique plant life and ecological communities dependant on plant life;
 - (D) Listed threatened and endangered plants and animals and the habitat in which they are believed to reside;
 - (E) All species listed as protected or identified for special management in the Fish and Game Code, the Public Resources Code, the Water Code or regulations adopted thereunder;
 - (F) All marine and terrestrial species subject to the jurisdiction of the Department of Fish and Game and the ecological communities in which they reside; and
 - (G) All air and water resources, the degradation of which will individually or cumulatively result in a loss of biological diversity among the plants and animals residing in that air and water.

CERTIFICATION:

I hereby certify that LAFCO has made the above finding(s) of fact and based upon the Initial Study, the Negative Declaration and the hearing record, the project will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Lead Agency Representative: Joyce Crosthwaite

Title: Executive Officer

Date: July 12, 2006



Attachment 4 – LAFCO Resolution (DRAFT)

ATTACHMENT 4

MSR 06-26

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY, CALIFORNIA MAKING DETERMINATIONS AND APPROVING THE MUNICIPAL SERVICE REVIEW FOR THE CITY OF COSTA MESA

July 12, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review for the City of Costa Mesa (MSR 06-26), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the municipal service review for the City of Costa Mesa (MSR 06-26) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the city; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set July 12, 2006 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the City of Costa Mesa; and

WHEREAS, this Commission called for and held a public hearing on the proposal on July 12, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA), LAFCO, as lead agency under CEQA for municipal service reviews, determined that the municipal service review for Costa Mesa (MSR 06-26) will not have a significant effect on the environment and has prepared a Negative Declaration.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) LAFCO, as lead agency, has determined that the municipal service review for the City of Costa Mesa (MSR 06-26) will not have a significant effect on the environment as defined by State CEQA Guidelines. The Commission has therefore adopted a Negative Declaration for the City of Costa Mesa municipal service review.
- b) The municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- c) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the municipal service review for the City of Costa Mesa (MSR 06-26) as presented to the Commission on July 12, 2006.

- b) The Executive Officer's staff report and recommendation for approval of the municipal service review for the City of Costa Mesa, dated July 12, 2006, are hereby adopted.
 - b) The Commission has adopted the accompanying Statement of Determinations for the City of Costa Mesa, shown as "Exhibit A."
- Section 3. This review is assigned the following distinctive short-form designation: "Municipal Service Review for the City of Costa Mesa" (MSR 06-26).
- Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 12th day of July, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of July, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: _____
Robert Bouer

EXHIBIT A

The Nine MSR Determinations – City of Costa Mesa

1) Growth & Population Projections

The City is projected to experience an increase of approximately 5,600 residents by the year 2020.

2) Infrastructure Needs & Deficiencies

The future growth projected for the City, while modest, will increase the demand for additional municipal level services. The City of Costa Mesa reviews infrastructure needs annually through its budget and capital improvement program to ensure that those city services will match projected growth. The City prides itself on providing a high level of municipal services for its residents.

3) Financing Opportunities & Constraints

For FY 05-06, projected City expenditures will exceed overall City revenues by approximately \$7,714,485. This is largely due to the aggressive citywide capital improvements program underway. The City has sufficient general operating reserves and appropriations fund balances to cover the projected budget shortfall.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

Two government structure options currently exist for the City of Costa Mesa:

- Annexation of West Santa Ana Heights, the Santa Ana Country Club, the South Mesa area and the 22nd Street/Santa Ana Avenue island, and
- Annexation of territory not included in the City's current sphere of influence. This may include the 456-acre Banning Ranch property.

Other governmental structure options may also exist with the reorganization of special districts that currently serve the City. LAFCO will be examining those options during the next MSR/SOI five year cycle.

6) Local Accountability & Governance

The City of Costa Mesa provides a strong resident outreach effort to its residents through its website, televised City Council meetings and community outreach efforts for City residents.

7) Opportunities for Cost Avoidance

No significant issues were noted.

8) Opportunities for Management Efficiencies

No significant issues were noted.

9) Opportunities for Shared Facilities

No significant issues were noted.